30 October 1984
DBL, NIO/AL

A VIEW OF THE FUTURE

I. Introduction

Notwithstanding the difficulty of forecasting world conditions over the next 10-15 years, it is important that long-range planning for the Intelligence Community be carried out against the background of an attempt to identify the social, political, military, technological, and economic factors and trends which are likely to emerge over this period and to shape intelligence requirements in the 1990s. Thus, at the request of the IC Staff, the National Intelligence Council undertook last year at this time: (1) to identify driving forces that are likely to be outside the control of US policies but which could create new conditions under which national policies will have to be made and intelligence collection will take place; and (2) to select the issues that are likely to dominate the attention of US decisionmakers in the 1990s.

II. Driving Forces

First of all, what are some of the driving forces for change?

A. Resource Problems (will be significant)

Population. Demographic momentum will bring world population beyond the 5 1/2 billion mark by 1995, with the 30 percent increase overwhelmingly concentrated in South Asia, Latin America, and Africa. The already large gap between rich and poor nations will widen, yielding a greater differentiation within the less developed world.

Food. Propelled by population pressures, food production and access to available stocks of food will remain a cyclical but critical factor in the survival of many less developed states. Genetic research could fundamentally change this picture, but in the process it would alter the present food producer-consumer relationships.

Water and Pollution. Regional water shortages will become more frequent in the 1990s, as population growth alone will almost double water requirements in many regions.

Energy. A global energy crisis is likely in the 1990s. Despite the increased oil exploration, the discovery of high quality reserves continues to be much slower than the depletion of existing reserves. The present oil glut will discourage more expensive petroleum exploration, conservation efforts and substitution of other energy sources, and thereby increase the likelihood of some shortages during the next decade.

With the expected gradual shift away from Mideast oil, OPEC will become less a factor in international energy dealings. Because of the rising importance of alternative energy sources, new trade patterns and financial flows will be established.

Migration/Refugee Flows. Continued large-scale movements of people, driven by socio-economic necessity or military conflicts, can be expected. Some Third World governments will view migration to neighboring countries as an inevitable safety-valve for popular unrest caused by a worsening economic climate. This trend is already well established in Central America and the Caribbean. Should military conflict continue in the region, the flow of political refugees from Central America could threaten the stability of Mexico and complicate bilateral relations with the US.

B. The Diffusion of Power and International Realignments

The diffusion of power--economic, technological, political and military--is likely to be a key factor shaping the world of the 1990s. This process is not susceptible to the exclusive control of any one state, and its consequences are likely to be felt perhaps most of all by the US, which has used its economic and military power to create international institutions and alliance systems that meet our national objectives. Thus, the United States could find itself pursuing more of its foreign policy objectives through cooperative undertakings, not only with

traditional allies but also with newly industrializing states (NICs) of various regions.

The most likely new associations would seem to be those among the industrialized states, the NICs, and those LDCs that have significant resource opportunities.

C. Changing Economic and Financial Patterns

International Economy. By the 1990s, the world economy will have become more internationalized, as commercial activity and technological capabilities become dispersed. Manufacturing industries will become more interdependent--that is, major firms will buy components from a wide range of countries and there will be growing specialization in production. This pattern is already emerging in the automobile and steel industries and can be expected to encompass the electronics and computer fields in the coming years.

The next decade will see a vast increase in the competitiveness of the NICs in medium technology machinery and equipment. Although Japan will continue to be a major factor in automotive markets, the new long-term competitive threats in this area will come from countries like South Korea and Brazil. New capacity for industries like steel and basic chemicals will eventually be built exclusively in the LDCs.

Increasing competition for world markets will alter international trade flows. The US market will remain the largest and most acccessible target for foreign producers, but US

exporters will increasingly need to compete in international markets that are heavily restricted. The trade battleground will shift increasingly to the high technology arena. Overall, the prospects for protectionism and cartelization under the guise of industry safeguards will be heightened.

Despite the greater worldwide dispersion of economic power, America's major trade contender will continue to be Japan and its economic partners in Asia. The West Europeans will do well in some areas--for example, sophisticated machine tools and aerospace technology--but by and large they will lose out to the Japanese and the Americans in the race for high technology markets.

Financial Flows. In the context of expanding and increasingly diverse world trade, the extent of international funds movements will increase and the means by which the flows are carried out will become more complex. Financial transactions involving different currencies, tax havens, captive insurance or leasing subsidiaries, specialized markets, free-trade zones, etc, will multiply. As telecommunications and computer support of such operations grows, the potential for disruption or illicit use of the system will rise. Already, arms dealers, drug networks, and terrorist organizations move legally or launder billions of dollars annually through existing channels and markets. The size and sophistication of such funds flows will have grown by the 1990s, together with the prospect of fraud or tampering with the system itself.

III. Dominant Issues

Now we shift to what some of the dominant issues will be.

A. The Soviets and Eastern Europe

Reform or Stagnation in the Soviet Union? The nature of the Soviet system will remain basically unchanged--totalitarian, suspicious, and expansionist--giving top priority to the development and use of military power. In the face of long-standing and worsening economic problems, Soviet leaders have demonstrated a persistent ability to avoid needed changes in economic management that could, at the same time, serve to undermine the Communist Party's control. However, the Soviet Union will be subject to increasing internal and external pressures that raise the prospects either of overdue economic reforms or a rising potential for domestic instability in the 1990s.

Eastern Europe presents some real uncertainties for the Soviets. In these countries, both Communist rule and Soviet domination have remained unpopular for decades. Political legitimacy in Eastern Europe is brittle, and beneath the surface resentment against the established order is strong. No one can predict where the next Walensa will surface, but when it happens the new reformer will be able to tap a reservoir of deeply-rooted impatience for real change.

Perhaps the most critical variable for future stability in Eastern Europe is what will happen in the Soviet Union itself. If the Soviets can successfully manage their growing economic and political stresses, they may be as able to handle Eastern Europe in the future as they have in the past. But if the Soviets falter--which they might--the ruling regimes in most of these client states will falter, too. The prospects for turmoil in Eastern Europe increase geometrically with unsteadiness in the USSR.

The Strategic Competition. Regardless of the character of internal political developments, Soviet concerns about US military modernization, particularly in the strategic nuclear area, are likely to grow. The Soviets' traditional fear of encirclement will be reinforced by emerging nuclear threats posed by Western Europe and China. Limited opportunities for greater cooperative elements in Soviet-American relations could be generated by this gradual sense of encirclement, but so could the increasing danger of nuclear war sparked by Third World regional tensions and nuclear proliferation.

With or without arms control agreements, the Soviet-American strategic arms competition will continue to be a dominant issue in the 1990s. Advances in strategic weaponry by other powers will be important factors in an increasingly multifaceted strategic environment, but Soviet developments will still dominate intelligence planning.

Soviet efforts to apply advanced technology in four military areas--nonacoustic sensors for broad ocean anti-submarine warfare (ASW); "Stealth" (Low observables) technologies; directed energy weapons (space-based lasers and RF weapons); and electronic warfare (EW)--could, if the Soviets succeed in major advances, also have profound consequences.

A number of other weapons-related developments could also affect US military programs:

-- The survivability of offensive and defensive forces will depend increasingly on mobility, camouflage, concealment and deception.
-- Advances in electronics and sensors will lead to greater automation in the operation of weapons.
-- Development of weapons using biotechnology and genetic engineering will expand the scope of possible weaponry and strategy.
-- New types of nuclear and non-nuclear munitions will mean more dual purpose missiles, further complicating distinctions between conventional and nuclear systems and tactical and strategic weapons, both for purposes of military planning and arms limitation agreements.

Barring effective arms control agreements, the strategic competition in space will have intensified by the 1990s. Anticipating developments in the Soviet space program will become

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increasingly difficult because of the growing volume of data,

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and technological advances.

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Soviet S&T. The current Soviet military technology base is likely to continue to lag that of the West in many but not all areas. In selected areas where the Soviets are already strong (such as millimeter wave propagation, optical computing, and optical signal processing), their vigorous R&D programs may result in important technological advances. In other areas, we expect vigorous Soviet efforts to acquire Western technology to help overcome their weaknesses. The Soviets will probably concentrate most heavily in this regard on microcircuitry and electronics where the gap between their technology and Western advances is the greatest.

B. Challenges in the Third World

The socio-economic forces cited earlier are likely to propel many less developed states into acute states of political and economic crisis. By the 1990s, most leaders who came to power during the decolonization of Africa and Asia will have left the scene, and new political and military elites without the charisma of their predecessors will be forced to grapple with their countries' many problems. The solutions to these problems will in many cases involve forms of authoritarian rule and austere economic policies. However, there could well be a greater push toward mixed and market economies in some Third World countries as the socialist model is increasingly perceived as having failed to generate real economic growth. The dismal economic progress that such regimes as Cuba have made under Moscow's tutelage could lead some new leaderships to value ties with the West as the only realistic hope of meeting their countries' basic needs. Despite a commitment by the Soviets to continue their expansionist efforts, the deepening economic crisis in the Soviet bloc could limit Moscow's ability to take on major new commitments other than continued military assistance.

The Third World will have a greater military potential for trying to solve those problems through force of arms. By the 1990s, several LDCs will possess the S&T capability to produce sophisticated conventional weapons. The use and sale of such

weapons will pose a serious threat to regional stability and problems for the major powers.

By the 1990s, the Soviets will likely have expanded their military and military-support facilities around the globe in areas which are now neutral or even friendly to the US and its allies. This enhanced power projection capability will increase the possibility of active participation by Soviet forces by the late 1990s in limited war situations in which the Soviets judge the risk of escalation to war with Western powers to be acceptable.

Terrorism. The range of isolated terrorist activity as well as the use of terrorism as a governmental foreign policy weapon will almost certainly grow over the next decade. Prime candidates for the latter approach will include Iran, Syria, Iraq, Libya, Cuba, and Nicaragua, with the Soviet Union also making use of carefully disguised terrorist activities. The risk of nuclear terrorism in particular will rise. Fanatic religious or ethnic groups, as well as radical political movements, will have the ability to alter dramatically the political landscape through their willingness to defy national authorities. Present efforts to penetrate terrorist groups will have to be expanded using new equipment and procedures and better liaison with counter-terrorist officials of friendly governments.

C. Regional Developments (briefly) (and last)

The hotspots in the future will likely be essentially the same as today: Eastern Europe, the Middle East, Southwest Asia, South Africa, the Koreas, and Central America.

Shifts in Alliances. The West Europeans will increasingly perceive their interests as distinct from those of the US and the Soviet Union, but will wish to retain their American defense guarantees. In the near term, Europe is likely to continue suffering from gradual economic decline and widespread stagnation, which could seriously test social cohesion and traditional welfare practices, and inspire more inward-looking, commercially defensive behaviour. Over the longer term, European democracies will probably be able to adjust and restore modest growth. We do not expect that West European allies will abandon political and economic policies that can develop mutual Soviet-West European interests and bind Eastern Europe closer to the West.

Japan, in contrast to Western Europe, will make the transition to a highly technical, information-processing economy that challenges the US in banking, biogenetics, computer technology and microelectronics. The potential for US dependence upon Japan for strategic imports will grow. Internationally, Japan will attempt to adhere to a low-profile stance that

understates its economic importance but will be forced to assume greater regional military responsibilities. Thus, the importance of a cooperative politico-economic triangle formed by Washington, Tokyo and Beijing will grow. Japan's economic strength and pro-US orientation will promote what promises to be a rapidly industrializing Pacific Basin that will be generally supportive of US policies.

The US Backdoor. Under favorable conditions, the larger countries of South America, led by Brazil, have a good chance of achieving steady economic progress with increasingly stable democratic institutions based on West European or North American models. They will, however, continue the recent trend toward independent assessment of their foreign policy interests. Some of the smaller countries will be tempting targets for Soviet meddling.

The smaller countries of Central America and the Caribbean will be hard pressed to achieve minimal economic and social viability unless they develop special economic relationships with the United States, Canada, or Mexico, or among themselves. In that area, power is more likely to fall to either right or leftwing authoritarian regimes, with some of them emulating the Mexican one-party model. At the same time, Cuba is likely to become increasingly unstable. There is little doubt that American policies in the region will need to have a higher priority in the 1990s.